

Hearing Date: July 24, 2019

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO

as representative of

THE COMMONWEALTH OF PUERTO RICO,

Debtor.¹

PROMESA
Title III

Case No. 17-BK-03283 (LTS)

JOINDER OF FINANCIAL GUARANTY INSURANCE
COMPANY TO AMBAC ASSURANCE CORPORATION'S MOTION FOR ENTRY
OF ORDER AUTHORIZING DISCOVERY UNDER BANKRUPTCY RULE 2004
CONCERNING PRIFA RUM TAXES

[Dkt. # 7328]

Financial Guaranty Insurance Company (“**FGIC**”), by and through its attorneys Rexach & Picó, CSP and Butler Snow LLP, files this joinder (this “**Joinder**”) in support of *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning PRIFA Rum Taxes* [Dkt. # 7328] (the “**Motion**”).² In support of this Joinder, FGIC respectfully states as follows:

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms as in the Motion.

1. FGIC provides financial guaranty insurance covering in excess of \$1.17 billion in principal amount of bonds outstanding and issued by the Commonwealth of Puerto Rico (the “*Commonwealth*”) and various Commonwealth instrumentalities. In addition, FGIC insures approximately \$357 million in principal amount of bonds issued by the Puerto Rico Infrastructure Financing Authority (“*PRIFA*”). Under relevant provisions of the applicable bond documents, bond insurance policies, and applicable law, payment by FGIC neither satisfies nor discharges an issuer’s obligation to pay and, to the extent FGIC makes such payments, it obtains assignments of rights from the bondholders, becomes owner of the bonds, and/or becomes subrogated to the rights of bondholders and effectively steps into the shoes of such bondholders.

2. As a monoline insurer with significant exposure in these Title III cases, FGIC is similarly situated to Ambac Assurance Corporation (“*Ambac*”). FGIC likewise seeks from the Respondents information necessary for FGIC and its advisors to assess and understand what the Commonwealth has done with the stream of rum taxes belonging to PRIFA and pledged as collateral to PRIFA’s bondholders since 2015. Through this Joinder and the Motion, FGIC seeks to: (a) identify and quantify what funds in the Commonwealth’s possession are either not property of the debtor or are restricted funds; and, (b) understand the Commonwealth’s ongoing transfer of rum taxes to certain rum producers based in Puerto Rico in furtherance of an apparent economic stimulus strategy. Without this information, FGIC cannot adequately evaluate whether any proposed Commonwealth plan of adjustment is confirmable under the requirements of PROMESA.

3. Rather than propounding substantially identical discovery as Ambac, FGIC files this Joinder in support of the Motion and to receive any and all information produced by the Respondents and other third parties pursuant to any order granting the Motion and authorize

FGIC to participate in any related examinations or other proceedings. This Joinder will also minimize any burden on the Respondents as those parties need only provide FGIC with duplicate information provided to Ambac.

4. Accordingly, FGIC respectfully requests that the Court grant the Motion and require the Respondents and other third parties to provide FGIC with any information produced to Ambac pursuant to any order granting the Motion and to participate in any related examinations or other proceedings.

Dated: June 26, 2019

Respectfully submitted,

REXACH & PICÓ, CSP

By: María E. Picó

María E. Picó
USDC-PR 123214
802 Ave. Fernández Juncos
San Juan PR 00907-4315
Telephone: (787) 723-8520
Facsimile: (787) 724-7844
E-mail: mpico@rexachpico.com

BUTLER SNOW LLP

By: Martin A. Sosland

Martin A. Sosland (*pro hac vice*)
5430 LBJ Freeway, Suite 1200
Dallas, TX 75240
Telephone: (469) 680-5502
Facsimile: (469) 680-5501
E-mail: martin.sosland@butlersnow.com

Stanford G. Ladner (*pro hac vice*)
1700 Broadway, 41st Floor
New York, NY 10019
Telephone: (646) 606-3996
Facsimile: (646) 606-3995
E-mail: stan.ladner@butlersnow.com

Christopher R. Maddux (*pro hac vice*)
J. Mitchell Carrington (*pro hac vice*)
1020 Highland Colony Parkway, Suite 1400
Ridgeland, MS 39157
Telephone: (601) 985-2200
Facsimile: (601) 985-4500
E-mail: chris.maddux@butlersnow.com
mitch.carrington@butlersnow.com

Jason W. Callen (*pro hac vice*)
150 3rd Avenue, South, Suite 1600
Nashville, TN 37201
Telephone: (615) 651-6774
Facsimile: (615) 651-6701
E-mail: jason.callen@butlersnow.com

*Attorneys for Financial Guaranty Insurance
Company*